

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Fort Gratiot	County St. Clair County
Fiscal Year End December 31, 2007	Opinion Date April 10, 2008	Date Audit Report Submitted to State May 8, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

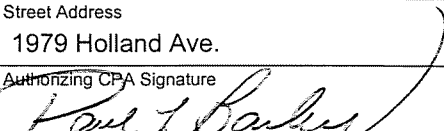
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple		Telephone Number 810-984-3829	
Street Address 1979 Holland Ave.		City Port Huron	State MI
Zip 48060			
Authorizing CPA Signature 	Printed Name Paul L. Bailey	License Number 1999790	

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

ANNUAL FINANCIAL STATEMENTS
with Supplementary Information

FOR THE YEAR ENDED
DECEMBER 31, 2007

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

TABLE OF CONTENTS DECEMBER 31, 2007

	<u>Page Number</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Notes to the Basic Financial Statements	21
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
General Fund	37
Fire Fund	39
Police Fund	40
Garbage Collection Fund	41
Blue Water Area Transportation Fund	42

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

TABLE OF CONTENTS DECEMBER 31, 2007

	<u>Page Number</u>
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds –	
Combining Balance Sheet	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	45
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Cemetery Fund	47
Park Improvement Fund	48
Public Improvement Fund	49
Inspections Fund	50
Water and Sewer Fund –	
Combining Schedule of Net Assets	51
Combining Schedule of Revenues, Expenses and Changes in Net Assets	53
Fiduciary Funds:	
Agency Fund –	
Statement of Assets and Liabilities	55

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of the
Charter Township of Fort Gratiot
St. Clair County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fort Gratiot, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Fort Gratiot's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fort Gratiot, Michigan, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 10, 2008 on our consideration of the Charter Township of Fort Gratiot's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7, and schedules of budgetary comparisons on pages 38 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Fort Gratiot's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

April 10, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS

The Charter Township of Fort Gratiot's 2007 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental and proprietary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental activities – most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, and charges for services, provide most of the funding.

Business-type activities – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer operations are treated as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary funds - Services for which the Township charges customers a fee are generally reported in the Water and Sewer Fund, a proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds – The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township’s fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township’s government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of \$21.8 million. This is an increase over 2006 of \$548,757. Government-type activities comprise \$7.5 million, and business-type activities make up \$14.3 million of the total net assets. In a condensed format, the table below shows net assets as of the December 31, 2007 and 2006.

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Assets				
Current assets	\$ 7,524,344	\$ 7,302,575	\$ 1,371,467	\$ 1,349,435
Restricted assets	75,005	71,397	2,981,369	4,112,414
Noncurrent assets	2,951,196	2,685,083	12,043,089	11,082,795
	<u>10,550,545</u>	<u>10,059,055</u>	<u>16,395,925</u>	<u>16,544,644</u>
Liabilities				
Current liabilities	2,834,505	2,830,900	470,282	418,891
Liabilities payable from restricted assets	-	-	238,163	214,287
Long-term liabilities	246,607	273,737	1,352,607	1,610,335
	<u>3,081,112</u>	<u>3,104,637</u>	<u>2,061,052</u>	<u>2,243,513</u>
Net Assets				
Investment in capital assets, net of related liabilities	2,738,253	2,427,697	12,275,108	11,580,726
Restricted	1,658,737	1,688,064	1,241,763	1,688,495
Unrestricted	<u>3,072,443</u>	<u>2,838,657</u>	<u>818,002</u>	<u>761,910</u>
Total Net Assets	<u>\$ 7,469,433</u>	<u>\$ 6,954,418</u>	<u>\$ 14,334,873</u>	<u>\$ 14,301,131</u>

The Township governmental activities experienced a net change in assets of \$548,757. The main reason is the General, Fire and Police Funds had revenues and other sources over expenditures and other uses of \$240,928, \$86,616 and \$84,084, respectively and the Parks Improvement and Public Improvement Funds had expenditures over \$80,583 and \$120,496, respectively. In addition, capital outlays and principal payment on long-debt exceed depreciation by \$304,342.

The following table shows the changes in net assets for 2007 and 2006:

	Governmental Activities		Business-type Activities	
	2007	2006	2007	2006
Revenues -				
Program revenues:				
Charges for services	\$ 763,053	\$ 865,226	\$ 2,729,163	\$ 2,509,458
Operating grants and contributions	52,807	139,627	-	-
Capital grants and contributions	116,172	63,920	172,069	883,953
General revenues				
Property taxes	2,031,123	1,808,464	-	-
Unrestricted grants	849,507	868,756	-	-
Unrestricted investments	237,801	258,977	137,475	97,255
	<u>4,050,463</u>	<u>4,004,970</u>	<u>3,038,707</u>	<u>3,490,666</u>
Program Expenses -				
General government	930,709	989,552	-	-
Public safety	1,499,708	1,429,842	-	-
Public works	870,240	962,068	-	-
Recreation and cultural	226,916	104,852	-	-
Other activities	-	-	-	-
Interest on debt	7,575	8,881	-	-
Water and sewer operations	-	-	3,005,265	2,934,858
	<u>3,535,148</u>	<u>3,495,195</u>	<u>3,005,265</u>	<u>2,934,858</u>
Transfers	<u>(300)</u>	<u>-</u>	<u>300</u>	<u>-</u>
Change in net assets	<u>\$ 515,015</u>	<u>\$ 509,775</u>	<u>\$ 33,742</u>	<u>\$ 555,808</u>

Governmental Activities

Revenues for governmental activities totaled \$4,050,463 in 2007. Of this amount, \$2,031,123 was received from taxes or special service assessments, which was an increase of \$222,659 from the prior year. The next largest revenue source was state shared revenue of \$725,893, a decrease of \$22,232 from 2006.

Business-type Activities

The Township has one business-type activity, the water and sewer operations. Total revenues including interest income were \$3,038,707 and expenses were \$3,005,265 for a change in net assets of \$33,742. During the year the charges for services increased \$219,705 or approximately 9% as a result of increased usage/rates during the year. In addition capital grants decreased \$711,884 because of the 2006 Krafft Road assessments were levied for approximately \$680,000 in 2006.

FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS

Governmental Fund

The General fund ended 2007 with a fund balance of \$3,097,088, with \$54,251 reserved for street lighting and prepaid and \$1,785,318 designated for specific purposes. The designations at December 31, 2007 were for accrued vacation and sick of \$71,197, \$700,000 for budget stabilization, \$900,000 for capital improvements, \$106,783 for retirees' health insurance and \$7,338 for parks and recreation. The general fund balance increased \$240,928, which is approximately 17% of annual expenditures. Total revenues

were \$92,081 more than expected, mainly as a result of interest revenues. Expenditures were \$139,631 under budget. The original and amended budgets expected revenues over expenditures of \$12,573.

The Townships other major governmental funds had the following revenues over expenditures as follows:

- Fire Fund had revenues over expenditure of \$86,616 mainly as a result of increased property taxes of \$46,972.
- The Police Fund had revenues in excess of expenditures of \$84,084 as a result of increased property taxes.
- The Garbage Collection Fund had revenues in excess of expenditures of \$4,345.

A budget adjustment was made during the year to increase Capital Outlay by \$51,348 in the Fire Fund for the first payment of a new pumper, which wasn't paid for or received in 2007. The Park Fund expenditures were amended by \$219,736 for phase two bike path costs.

Business-type Activities

As indicated earlier the Township has one business-type activity, the water and sewer operations. Total revenues including interest income were \$3,038,707, and expenses were \$3,005,265 for a change in net assets of \$33,742. During the year the charges for services increased \$219,705, or approximately 9% as a result of increased usage/rates during the year. In addition, capital grants decreased \$711,884 because of the 2006 Krafft Road assessments were levied for approximately \$680,000 in 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township had \$15.0 million dollars invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of December 31, 2007. The investment is a capital asset includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines. During the year the Township added \$1,707,244 of capital assets, \$405,827 in the government-activities and \$1,301,417 in the business-type activities. The governmental activities capital expenditures included the construction costs for the bike path, shared street improvements and donated property. The business-type activities were a result of replacing pump stations and the Krafft Road sewer system.

	2007	2006	2007	2006
Land	\$ 808,605	\$ 715,606	\$ -	\$ -
Shared street improvements	127,956	-	-	-
Land improvements	1,054,820	917,997	-	-
Building and building improvements	680,023	678,153	147,845	141,136
Equipment	1,902,742	1,962,233	830,158	831,803
Water and sewer systems	-	-	19,504,831	18,227,379
Construction in progress	-	-	-	-
	4,574,146	4,273,989	20,482,834	19,200,318
Accumulated depreciation	(1,622,950)	(1,588,906)	(8,439,745)	(8,117,523)
	<u>\$ 2,951,196</u>	<u>\$ 2,685,083</u>	<u>\$ 12,043,089</u>	<u>\$ 11,082,795</u>

Additional information on the Township's capital assets can be found in Note 7.

Long-Term Debt

At December 31, 2007, the Township's had \$1,853,295 in long-term debt compared to \$2,084,072 at December 31, 2006, a decrease of \$230,777 from the prior year. The following table shows the long-term debt at December 31, 2007 and 2006:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Special Assessment Bonds	\$ -	\$ -	\$ 1,470,000	\$ 1,620,000
G.O. Bonds	-	-	100,000	150,000
Capital Leases	137,877	161,318	-	-
Drain District	37,533	48,034	-	-
Compensated Absences	71,197	64,385	36,688	40,335
	<u>\$ 246,607</u>	<u>\$ 273,737</u>	<u>\$ 1,606,688</u>	<u>\$ 1,810,335</u>

ECONOMIC FACTORS AND NEXT YEARS BUDGET

For 2008, the Township Board adopted a balanced budget for all of the Township funds. The General Fund budget estimates revenues and expenditures of \$1,796,730, which is an increase of approximately 16%. The main reasons for the increase is the anticipated need for additional subsidy of the Inspection Fund due to the decrease in construction fees, the buy-out of vacation and sick pay from employees, new street lights and increases in health insurance costs.

Given the economic conditions throughout the State of Michigan and globally, the 2009 budget will be an extreme challenge. The Charter Township of Fort Gratiot has structured its operations to take into consideration the shortcomings of the State and Federal Government over the next several years.

CONTACTING THE TOWNSHIP

This financial report is designed to provide a general overview of the Township's finances to and our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (810) 385-4489.

BASIC FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 4,549,552	\$ 791,395	\$ 5,340,947
Receivables (net of allowance)	2,937,364	505,402	3,442,766
Inventory	-	66,413	66,413
Prepaid expenses/deposits	37,428	7,784	45,212
Restricted Assets -			
Cash and cash equivalents	-	1,703,238	1,703,238
Investments	75,005	210,861	285,866
Special assessment receivable	-	1,067,743	1,067,743
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	808,605	-	808,605
Assets being depreciated	2,142,591	12,043,089	14,185,680
Total Assets	<u>10,550,545</u>	<u>16,395,925</u>	<u>26,946,470</u>
LIABILITIES:			
Payables and accrued liabilities	307,105	462,028	769,133
Accrued interest	7,222	-	7,222
Advances and deposits	6,637	8,254	14,891
Deferred revenue	2,513,541	-	2,513,541
Liabilities Payable From Restricted Assets			
Accounts Payable	-	2,416	2,416
Bonds payable (current)	-	220,000	220,000
Accrued interest	-	15,747	15,747
Non-current liabilities			
Accrued compensated absences	71,197	2,607	73,804
Due within one year	35,223	-	35,223
Due in more than one year	140,187	1,350,000	1,490,187
Total Liabilities	<u>3,081,112</u>	<u>2,061,052</u>	<u>5,142,164</u>
NET ASSETS:			
Investment in capital assets, net of related liabilities	2,738,253	12,275,108	15,013,361
Restricted			
Acquisition/construction of capital assets	996,837	1,241,763	2,238,600
Debt Retirement	284	-	284
Cemetery perpetual care			
Nonexpendable	75,005	-	75,005
Public Safety	547,055	-	547,055
Public Works	39,556	-	39,556
Unrestricted	3,072,443	818,002	3,890,445
Total Net Assets	<u>\$ 7,469,433</u>	<u>\$ 14,334,873</u>	<u>\$ 21,804,306</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General Government	\$ 930,709	\$ 51,385	\$ -	\$ -
Public Safety	1,499,708	212,141	8,268	26,172
Public Works	870,240	495,933	-	-
Recreation and Culture	226,916	3,594	44,539	90,000
Interest on Long Term Debt	7,575	-	-	-
Total governmental activities	3,535,148	763,053	52,807	116,172
Business type activities				
Utilities (Water/Sewer)	3,005,265	2,729,163	-	172,069
Total Primary Government	6,540,413	3,492,216	52,807	288,241

General revenues:
Property taxes
Grants and contribution not-
restricted to specific programs
Unrestricted investment income
Transfers
Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$(879,324)	\$ -	\$(879,324)
(1,253,127)	-	(1,253,127)
(374,307)	-	(374,307)
(88,783)	-	(88,783)
(7,575)	-	(7,575)
(2,603,116)	-	(2,603,116)
-	(104,033)	(104,033)
(2,603,116)	(104,033)	(2,707,149)
2,031,123	-	2,031,123
849,507	-	849,507
237,801	137,475	375,276
(300)	300	-
3,118,131	137,775	3,255,906
515,015	33,742	548,757
6,954,418	14,301,131	21,255,549
\$ 7,469,433	\$ 14,334,873	\$ 21,804,306

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2007

	General	Fire	Police	Garbage Collection
ASSETS				
Current assets -				
Cash and cash equivalents	\$ 2,777,383	\$ 240,957	\$ 339,604	\$ 39,556
Receivables -				
Property taxes	601,883	635,629	583,051	-
Interest and accounts	50,765	7,250	-	-
Special assessments	-	-	-	403,147
Due from other governmental units -				
Federal/State	247,872	-	-	-
Due from other funds	119,134	-	-	-
Prepays/deposits	2,501	31,991	-	-
	<u>3,799,538</u>	<u>915,827</u>	<u>922,655</u>	<u>442,703</u>
Restricted assets -				
Investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,799,538</u>	<u>\$ 915,827</u>	<u>\$ 922,655</u>	<u>\$ 442,703</u>
Liabilities:				
Accounts payable	\$ 88,615	\$ 5,554	\$ 50,519	\$ -
Accrued liabilities	5,315	20,633	-	-
Due to other funds	-	-	-	-
Advances and deposits	6,637	-	-	-
Deferred revenue	601,883	635,629	583,051	403,147
	<u>702,450</u>	<u>661,816</u>	<u>633,570</u>	<u>403,147</u>
Total Liabilities	<u>702,450</u>	<u>661,816</u>	<u>633,570</u>	<u>403,147</u>
Fund Balances:				
Reserved	54,251	31,991	-	-
Unreserved -				
Designated	1,785,318	-	-	-
Undesignated -				
General Fund	1,257,519	-	-	-
Special Revenue Funds	-	222,020	289,085	39,556
Total Equity	<u>3,097,088</u>	<u>254,011</u>	<u>289,085</u>	<u>39,556</u>
Total Liabilities and Fund Equity	<u>\$ 3,799,538</u>	<u>\$ 915,827</u>	<u>\$ 922,655</u>	<u>\$ 442,703</u>

The accompanying notes are an integral part of these financial statements.

<u>Blue Water Area Transportation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,152,052	\$ 4,549,552
289,831	-	2,110,394
-	-	58,015
-	-	403,147
-	-	247,872
-	-	119,134
-	2,936	37,428
<u>289,831</u>	<u>1,154,988</u>	<u>7,525,542</u>
-	75,005	75,005
<u>\$ 289,831</u>	<u>\$ 1,229,993</u>	<u>\$ 7,600,547</u>
\$ -	\$ 134,701	\$ 279,389
-	1,768	27,716
-	1,198	1,198
-	-	6,637
<u>289,831</u>	<u>-</u>	<u>2,513,541</u>
<u>289,831</u>	<u>137,667</u>	<u>2,828,481</u>
-	767,269	853,511
-	-	1,785,318
-	-	1,257,519
-	325,057	875,718
<u>-</u>	<u>1,092,326</u>	<u>4,772,066</u>
<u>\$ 289,831</u>	<u>\$ 1,229,993</u>	<u>\$ 7,600,547</u>

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

Fund Balances - total governmental funds		\$	4,772,066
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			4,574,146
Accumulated depreciation		(1,622,950)
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	(71,197)	
Capital lease	(137,877)	
Drain districts	(37,533)	
Accrued interest	(7,222)	(253,829)
Net Assets of governmental activities		\$	<u>7,469,433</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Fire	Police	Garbage Collection
Revenues:				
Taxes	\$ 518,336	\$ 581,834	\$ 656,847	\$ -
Licenses and permits	14,092	-	-	-
Intergovernmental -				
Federal/State	725,893	26,172	8,268	-
Local	-	-	-	-
Charges for services	140,739	27,950	-	-
Fines and forfeits	3,914	-	-	-
Interest and rent	139,619	14,111	25,378	7,255
Other	115,863	8	-	393,102
Total Revenues	<u>1,658,456</u>	<u>650,075</u>	<u>690,493</u>	<u>400,357</u>
Expenditures:				
Current -				
General Government	896,109	-	-	-
Public Safety	103,677	531,201	606,409	-
Public Works	209,074	-	-	396,012
Recreation and Cultural	136,208	-	-	-
Debt Service				
Principal	-	23,441	-	-
Interest	-	8,817	-	-
Total Expenditures	<u>1,345,068</u>	<u>563,459</u>	<u>606,409</u>	<u>396,012</u>
Excess of revenues over (under) expenditures	<u>313,388</u>	<u>86,616</u>	<u>84,084</u>	<u>4,345</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	-
Transfers to other funds	(72,460)	-	-	-
Total Other Financing Sources (Uses)	<u>(72,460)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	240,928	86,616	84,084	4,345
Fund Balances at beginning of year	<u>2,856,160</u>	<u>167,395</u>	<u>205,001</u>	<u>35,211</u>
Fund Balances at end of year	<u><u>\$ 3,097,088</u></u>	<u><u>\$ 254,011</u></u>	<u><u>\$ 289,085</u></u>	<u><u>\$ 39,556</u></u>

The accompanying notes are an integral part of these financial statements.

Blue Water Area Transportation	Other Governmental Funds	Total Governmental Funds
\$ 274,106	\$ -	\$ 2,031,123
-	-	14,092
-	-	760,333
-	44,539	44,539
-	187,324	356,013
-	-	3,914
-	51,438	237,801
-	93,675	602,648
<u>274,106</u>	<u>376,976</u>	<u>4,050,463</u>
-	81,069	977,178
-	212,963	1,454,250
274,106	129,505	1,008,697
-	221,042	357,250
-	-	23,441
-	-	8,817
<u>274,106</u>	<u>644,579</u>	<u>3,829,633</u>
-	(267,603)	220,830
-	72,160	72,160
-	-	(72,460)
-	72,160	(300)
-	(195,443)	220,530
-	1,287,769	4,551,536
<u>\$ -</u>	<u>\$ 1,092,326</u>	<u>\$ 4,772,066</u>

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2007**

Net change in fund balances - total governmental funds	\$	220,530
--	----	---------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		405,827
Depreciation expense	(135,427)
Loss on disposal of capital assets	(4,287)

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.

Principal payments on long term liabilities	23,441	
Increase in compensated absences	(6,812)	
Decrease in drain districts	10,501	
Decrease in accrued interest	<u>1,242</u>	<u>28,372</u>

Change in net assets of governmental activities	\$	<u><u>515,015</u></u>
---	----	-----------------------

The notes to the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

STATEMENT OF NET ASSETS PROPRIETARY FUND - WATER AND SEWER FUND DECEMBER 31, 2007

ASSETS:

Current Assets:

Cash and cash equivalents	\$ 791,395
Accounts receivable	507,320
Inventory	66,413
Prepaid expense	7,784
Total Current Assets	<u>1,372,912</u>

Restricted Assets:

Cash and cash equivalents	1,703,238
Investments	210,861
Special assessment receivable	1,067,743
	<u>2,981,842</u>

Property, Plant and Equipment:

Buildings	147,845
Equipment	830,158
Mains and extensions	19,504,831
	<u>20,482,834</u>
Less - accumulated depreciation	(8,439,745)
	<u>12,043,089</u>

Total Assets	<u>16,397,843</u>
--------------	-------------------

LIABILITIES:

Current Liabilities:

Accounts payable	421,719
Deposits	8,254
Accrued expenses	40,309
Due to other funds	1,918
Total Current Liabilities	<u>472,200</u>

Current Liabilities - (Payable from restricted assets):

Accounts payable	2,416
Bonds payable (current portion)	220,000
Accrued interest	15,747
	<u>238,163</u>

Long-Term Liabilities (less current portions):

Bonds payable	1,350,000
Accrued vacation and sick	2,607
Total Long-Term Liabilities	<u>1,352,607</u>
Total Liabilities	<u>2,062,970</u>

NET ASSETS:

Investment in capital assets, net of related debt	12,275,108
Reserved -	
Equipment Replacement	1,241,763
Unrestricted	818,002
Total Net Assets	<u>\$ 14,334,873</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

Operating Revenues:

Licenses and permits	\$ 1,075
Charges for services - user charges	2,712,022
Penalty on delinquent accounts	7,722
Other revenue	8,344
Total Operating Revenues	<u>2,729,163</u>

Operating Expenses:

Salaries and fringes	541,917
Water purchases	1,086,276
Sewer plant charges	682,931
Supplies	61,515
Utilities	38,476
Repairs and maintenance	73,942
Gas and oil	19,547
Professional services	13,544
Other	67,759
Depreciation	341,123
Total Operating Expenses	<u>2,927,030</u>

Operating Loss	<u>(197,867)</u>
----------------	-------------------

Non-Operating Revenues (Expenses):

Tap and privilege fees	113,433
Special assessments	10,252
Interest earned on -	
Special assessments and privilege fees	48,384
Cash and investment revenue	137,475
Interest expense and paying agent fees	<u>(78,235)</u>
Total Non-Operating Revenues (Expenses)	<u>231,309</u>

Net Income before contributions	33,442
---------------------------------	--------

Transfers:

Transfer In	<u>300</u>
-------------	------------

Net Income	33,742
------------	--------

Net assets at beginning of year	<u>14,301,131</u>
---------------------------------	-------------------

Net Assets end of year	<u><u>\$ 14,334,873</u></u>
------------------------	-----------------------------

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash Flows From Operating Activities:

Cash receipts from customers	\$ 2,697,898
Cash payments to suppliers	(2,024,957)
Cash payments to employees	(544,637)
Net Cash Provided by Operating Activities	<u>128,304</u>

Cash Flows From Capital and Related

Financing Activities:

Special assessments/tap and privilege fees	300,058
Bond payments	(276,319)
Transfers	300
Acquisition/construction/disposal of capital assets	(1,301,417)
Net Cash Used by Capital and Related Financing Activities	<u>(1,277,378)</u>

Cash Flows From Investing Activities:

Interest earned	185,859
Purchase of investments	<u>189,139</u>
Net Cash Provided by Investing Activities	<u>374,998</u>

Net Decrease in Cash and Cash

Equivalents for the year (774,076)

Cash and Cash Equivalents at Beginning of Year

3,268,709

Cash and Cash Equivalents at End of Year

\$ 2,494,633

Reconciliation of Net Loss to

Net Cash Provided by Operating Activities:

Operating loss for the year	\$(197,867)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation	341,123
Change in assets and liabilities:	
Receivables	(31,265)
Prepaid expenses	23,966
Inventory	(25,102)
Accounts payable/accrued expenses	52,495
Due to other funds	(31,399)
Vacation and sick time	(3,647)
Net Cash Provided By Operating Activities	<u>\$ 128,304</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 1,248,578
Prepaid expense	33,995
Due from other funds	<u>1,918</u>
 Total Assets	 \$ <u><u>1,284,491</u></u>
 LIABILITIES:	
Accrued payroll taxes and employee benefits	\$ 715
Due to other funds	117,936
Undistributed taxes and interest	<u>1,165,840</u>
 Total Liabilities	 \$ <u><u>1,284,491</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The Charter Township of Fort Gratiot, Michigan, a Municipal Corporation, was organized as a Township on June 13, 1866, under provisions of the constitution and general law of the State of Michigan and became a Charter Law Township on August 21, 1979, under Public Act 359, the Charter Township Act. The Township is one of twenty-three Townships in St. Clair County and covers an area of approximately 16 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees, and provides services to its more than 10,800 residents in many areas including law enforcement, fire protection, water, sewer, roads, parks and natural resources, and planning and economic development.

B. Government-wide and fund financial statements -

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation -

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are intended to finance (the December 2006 levy in 2007). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes, which are levied and collected in December of each year, are budgeted and treated as revenue in the subsequent year. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – is the Township’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund – is a special revenue fund used to account for taxes and other related revenues restricted for fire service of the Township.

Police Fund – is a special revenue fund used to account for a tax levy for the purpose of providing police protection for the Township.

Garbage Collection Fund – is a special revenue fund used to account for assessments for the purpose of providing garbage and rubbish collection for the Township.

Blue Water Area Transportation – is used to account for the millage and cost of providing transportation services.

The Township reports the following major proprietary fund:

Utilities (Water and Sewer Fund) – is used to account for the treatment and distribution of water and sanitary sewer services to residential and commercial users.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Additionally, the Township reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulation provisions or administrative actions.

Debt Service Fund – is used to account for accumulation of resources for and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds).

Agency Funds – are used to account for assets held by the Township as an agent for other governments and other funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Fund are charges to customers for sale and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources, as they are needed.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments –

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts/mutual funds have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonable approximates fair value.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Inventories and Prepaid Items –

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Property Tax Calendar –

The Township's property tax is levied each December 1 on the taxable value of property located in the Township as if the proceeding December 31. Property taxes are recognized as revenues in the year they were intended to finance (the 2006 levy is recognized in 2007)

The Township also collects taxes for various other municipalities and school districts. The collection and remittance of these taxes are accounted for in the Tax Collection Fund.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Township has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to January 1, 2004.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

	<u>Primary Government</u>
Land improvements	3-60
Buildings and improvements	5-60
Utility systems	60
Machinery and equipment	3-25

Compensated Absences –

In accordance with contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates –

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information –

The Township Supervisor and the Clerk prepare and submit the proposed operating budgets for the year commencing January 1. The budgets include proposed expenditures and resources to finance them.

Prior to December 31, the proposed budget is presented to the Township Board. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):

The Township's approved budgets were adopted at the activity (department) level in the General Fund and the total expenditure level for the Special Revenue Fund. However, for control purposes all budgets are maintained at the object (account) level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act.

The Township does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level.

During the fiscal year ended December 31, 2007, the Township incurred expenditures in the General and Special Revenue Funds, which were in excess of the amount appropriated as follows:

<u>Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
General Fund			
General Government			
Assessor	\$ 151,489	\$ 152,525	\$ 1,036
Clerk's Department	202,911	203,013	102
Public Works			
Street Lights	103,000	105,117	2,117
Transfers Out	69,103	72,460	3,357
Police Fund	605,909	606,409	500
Garbage Collection Fund	387,768	396,012	8,244

Other -

The Township did not adopt a budget for the Public Improvement Fund.

NOTE 3 - DEPOSITS AND INVESTMENTS:

As of December 31, 2007, the carrying amount of the deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Government</u>	<u>Total</u>
Deposits			
Petty Cash	\$ 600	\$ -	\$ 600
Deposits with Financial Institutions -			
Savings/Certificate of Deposit	<u>7,254,446</u>	<u>1,248,578</u>	<u>8,503,024</u>
Total Deposits	7,255,046	1,248,578	8,503,624
Investments			
Stocks	<u>75,005</u>	<u>-</u>	<u>75,005</u>
Total Deposits and Investments	<u>\$ 7,330,051</u>	<u>\$ 1,248,578</u>	<u>\$ 8,578,629</u>

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont'd):

	<u>Primary Government</u>	<u>Fiduciary Government</u>	<u>Total</u>
Reconciliation to Combined Balance Sheet			
Reported as Cash and Cash Equivalents -			
Petty Cash	\$ 600	\$ -	\$ 600
Savings/Certificate of Deposit	<u>7,043,585</u>	<u>1,248,578</u>	<u>8,292,163</u>
Total Cash and Cash Equivalents	<u>7,044,185</u>	<u>1,248,578</u>	<u>8,292,763</u>
Reported as Investments -			
Certificates of Deposit	210,861	-	210,861
Stocks	<u>75,005</u>	<u>-</u>	<u>75,005</u>
Total Investments	<u>285,866</u>	<u>-</u>	<u>285,866</u>
Grand Total – Balance Sheet	<u>\$ 7,330,051</u>	<u>\$ 1,248,578</u>	<u>\$ 8,578,629</u>

Deposits –

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of December 31, 2007, the bank balance of the Township's deposits were \$8,859,256 of which \$500,000 was FDIC insured with the balance \$8,359,256 uninsured and uncollateralized.

The Township Board investment policy allows the Township to invest in investment instruments that are legal under Public Act 40 of the Michigan Compiled Laws. The Treasurer is responsible for investing Township funds.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont’d):

Investments –

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the Township to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers’ acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 3657, 129.111 to 129.118; investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

As of December 31, 2007, the Township held the following investments:

	<u>Fair Value</u>	<u>Average Maturity</u>	<u>Investment Type</u>
Munder Mutual Funds (Perpetual Care)			
Money Market	\$ 4,884	N/A	Cash
Mid Cap Growth	4,587	N/A	Equities
Small Cap Value	2,067	N/A	Equities
Large Cap Growth	13,444	N/A	Equities
S&P Small Cap Index Equity	1,964	N/A	Equities
Large Cap Value	10,963	N/A	Equities
Munder Intermediate Bond	26,217	4.3 Years	Bonds
International Equity	10,879	N/A	Foreign Equities
	<u>\$ 75,005</u>		
Certificates of Deposit	<u>\$ 805,941</u>	< 1 Year	

The Munder Mutual Funds have been reported as a restricted investment since it is perpetual care assets that were donated to the Township and use is restricted.

Custodial Credit Risk – is the risk that in the event of a bank failure, the Township’s deposits or investments may not be returned. The Township investment policy does not address credit risk.

Interest Rate Risk – is the risk that the market value of securities of the Township’s portfolio will fall due to changes in the market interest rates. The Township investment policy does not address interest rate risk.

Credit Risk – is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. State laws limit the types on investment and “grades” of investments that the Township can purchase.

Concentration of Credit Risk – is the risk of loss attributed to the magnitude of the Township’s investment in a single issuer.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 4 –TAXES:

The Township property taxes are levied each December on the assessed valuation of the property located in the Township as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the following February.

Assessed values are established annually by the Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property in the Township for the 2007 levy has a State Equalized Value (SEV) of \$550,202,158 and a taxable value of \$466,459,520.

The millage rates levied by the Township for 2007 revenues were .7119 for General Operating, .6245 for the Blue Water Area Transportation service, 1.5 for Police Protection and 1.4171 for Fire Services. In addition the Township levied the following assessments:

	2006 Assessment (2007 Revenue)
Lighting District	\$ 102,831
Garbage Collection	655,559

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

NOTE 5 - RECEIVABLES:

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Taxes	\$ 2,110,394	\$ -
Special Assessments	403,147	1,067,743
Accounts and Interest	58,015	505,402
Due From Fiduciary Funds	117,936	-
Intergovernmental	<u>247,872</u>	<u>-</u>
	<u>\$ 2,937,364</u>	<u>\$ 1,573,145</u>

Governmental fund report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year the components of deferred revenue and unearned revenue reported in the governmental funds was as follows:

	Unearned
Property Taxes -	
General Fund	\$ 601,883
Fire Fund	635,629
Police Fund	583,051
Blue Water Area Transportation Fund	289,831
Special Assessments -	
Garbage Collection Fund	<u>403,147</u>
	<u>\$ 2,513,541</u>

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 6 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2007:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Current Tax Collection Fund	\$ 34,039
	Imprest Payroll Fund	83,897
	Inspection Fund	1,198
Imprest Payroll Fund	Water and Sewer Fund	1,918
		<u>\$ 121,052</u>

The General Fund is owed \$34,039 from the current Tax Collection Fund for undistributed taxes and \$83,897 from the Imprest Payroll Fund for cash flow for payroll and fringe amounts and \$1,198 from the Inspection Fund for escrow expenses.

The Imprest Payroll Fund is due \$1,918 from the Water and Sewer Fund for payroll and fringe amounts.

Transfer From/To Other Funds –

<u>Transfer In</u>	<u>Transfer Out</u>	
Cemetery Fund	General Fund	\$ 50,160 (1)
Inspection Fund	General Fund	22,000 (1)
Water and Sewer Fund- Krafft Road Construction Fund	General Fund	<u>300 (2)</u>
		<u>\$ 72,460</u>

(1) Annual Appropriation

(2) Miscellaneous Reimbursement

NOTE 7 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2007 was as follows:

	<u>Jan. 1, 2007 Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Dec. 31, 2007 Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	<u>\$ 715,606</u>	<u>\$ 92,999</u>	<u>\$ -</u>	<u>\$ 808,605</u>
Capital Assets being depreciated				
Shared Street Improvements	-	127,956	-	127,956
Land Improvements	917,997	138,026	1,203	1,054,820
Building and Improvements	678,153	5,370	3,500	680,023
Machinery and Equipment	<u>1,962,233</u>	<u>41,476</u>	<u>100,967</u>	<u>1,902,742</u>
	<u>3,558,383</u>	<u>312,828</u>	<u>105,670</u>	<u>3,765,541</u>

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 7 - CAPITAL ASSETS – (cont'd):

	Jan. 1, 2007 Balance	Additions	Deletions/ Adjustments	Dec. 31, 2007 Balance
Less accumulated depreciation				
Land Improvements	\$ 165,946	\$ 23,490	\$ 1,203	\$ 188,232
Building and Improvements	305,655	13,748	-	319,403
Machinery and Equipment	<u>1,117,305</u>	<u>98,189</u>	<u>100,180</u>	<u>1,115,315</u>
Total accumulated depreciation	<u>1,588,906</u>	<u>135,427</u>	<u>101,383</u>	<u>1,622,950</u>
Total capital assets being depreciated, net	<u>1,969,477</u>	<u>177,401</u>	<u>4,287</u>	<u>2,142,591</u>
Governmental activities capital assets, net	<u>\$ 2,685,083</u>	<u>\$ 270,400</u>	<u>\$ 4,287</u>	<u>\$ 2,951,196</u>
Business-type Activities				
Capital Assets being depreciated				
Buildings and Improvements	\$ 141,136	\$ 11,949	\$ 5,240	\$ 147,845
Utility Systems	18,227,379	1,277,452	-	19,504,831
Equipment	<u>831,803</u>	<u>12,016</u>	<u>13,661</u>	<u>830,158</u>
Total capital assets being depreciated	<u>19,200,318</u>	<u>1,301,417</u>	<u>18,901</u>	<u>20,482,834</u>
Less accumulated depreciation				
Building and Improvements	120,729	1,644	5,240	117,133
Utility Systems	7,312,005	300,417	-	7,612,422
Equipment	<u>684,789</u>	<u>39,062</u>	<u>13,661</u>	<u>710,190</u>
Total accumulated depreciation	<u>8,117,523</u>	<u>341,123</u>	<u>18,901</u>	<u>8,439,745</u>
Business activities capital assets, net	<u>\$ 11,082,795</u>	<u>\$ 960,294</u>	<u>\$ -</u>	<u>\$12,043,089</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 44,778
Public Safety	73,573
Recreation and Culture	<u>17,076</u>
Total depreciation expense – governmental activities	<u>\$ 135,427</u>
Business-type Activities:	
Water and Sewer Operation	<u>\$ 341,123</u>

NOTE 8 - LONG-TERM DEBT:

The following is a summary of changes in long-term liabilities (including current portion) of the Primary Government for the year ended December 31, 2007:

	Jan. 1, 2007 Balance	Additions	Reductions	Dec. 31, 2007 Balance	Due Within One Year
Governmental Activities:					
Fire Truck Capital Lease	\$ 161,318	\$ -	\$ 23,441	\$ 137,877	\$ 24,722
Drain Districts	48,034	-	10,501	37,533	10,501
Accrued Vacation and Sick Pay	<u>64,385</u>	<u>6,812</u>	<u>-</u>	<u>71,197</u>	<u>66,138</u>
	<u>273,737</u>	<u>6,812</u>	<u>33,942</u>	<u>246,607</u>	<u>101,361</u>

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 8 - LONG-TERM DEBT –(cont'd):

	Jan. 1, 2007			Dec. 31, 2007	Due Within
	Balance	Additions	Reductions	Balance	One Year
Business-type Activities:					
1995 General Obligation Limited Tax Bonds	\$ 150,000	\$ -	\$ 50,000	\$ 100,000	\$ 50,000
1995 Special Assessment Bonds	260,000	-	90,000	170,000	85,000
1999 Special Assessment Bonds	335,000	-	45,000	290,000	40,000
2004 Special Assessment Bonds	345,000	-	15,000	330,000	15,000
2006 Special Assessment Bonds	680,000	-	-	680,000	30,000
Accrued Vacation and Sick Pay	40,335	-	3,647	36,688	34,081
	<u>1,810,335</u>	<u>-</u>	<u>203,647</u>	<u>1,606,688</u>	<u>254,081</u>
	<u>\$ 2,084,072</u>	<u>\$ 6,812</u>	<u>\$ 237,589</u>	<u>\$ 1,853,295</u>	<u>\$ 355,442</u>

Significant details regarding outstanding long-term liabilities (including current portions) are presented as follows:

Fire Truck Lease -

The Township entered into a lease purchase agreement for a fire truck in the amount of \$224,602 on January 15, 2003. Payments are due in annual installments of \$32,257, which includes interest of 5.45 percent payable annually through January 15, 2012.

\$ 137,877

Drain Districts -

The St. Clair County Drain Commission has made improvements to the following drains and levied multi-year assessment against the Township as follows:

Moore & Braid (5-year assessment through 2010)	\$ 28,488
Metcalf (10-year assessment through 2016)	<u>9,045</u>
	<u>\$ 37,533</u>

Utilities System -

The Township has also issued four bond issues for the purpose of water and sewer main extensions. The bonds are to be repaid from special assessments and capital charges.

The \$495,000 1995 General Obligation Limited Tax Bonds, dated February 1, 1995, due in annual installments of \$50,000 through October 1, 2009, with interest ranging from 5.80 to 5.90 percent, payable semi-annually.

\$ 100,000

The \$1,240,000 1995 Special Assessment Bonds, dated February 1, 1995, due in annual installments of \$85,000 through October 1, 2009, with interest ranging from 5.80 to 5.90 percent, payable semi-annually.

170,000

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 9 - LONG-TERM DEBT – (cont'd):

The \$595,000 1999 Special Assessment Bonds,
dated November 1, 1999, due in annual installments
ranging from \$40,000 to \$45,000 through April 1, 2014, with
interest ranging from 4.95 to 5.50 percent, payable semi-annually. \$ 290,000

The \$360,000 2004 Special Assessment Bonds, dated November
15, 2004, due in annual installments ranging from \$15,000 to
\$25,000 through April 1, 2024, with interest ranging from 3.9
to 4.6 percent, payable semi-annually. 330,000

The \$680,000 2006 Special Assessment Bonds,
Dated December 1, 2006, due in annual installments
Ranging from \$30,000 to \$50,000 through September 1, 2026,
with interest ranging from 3.75 to 4.35 percent, payable
semi-annually. 680,000

\$ 1,570,000

Accrued Vacation and Sick Pay -

In accordance with contracts negotiated with the various employee
groups of the Township, individual employees have vested rights
upon termination of employment to receive payments for unused
vacation and sick leave under formulas and conditions specified in
the contracts. The Governmental Fund portion was \$71,197 and the
Enterprise Fund portion was \$36,688. \$ 107,885

\$ 1,853,295

Annual Debt Requirements:

The annual requirements to pay the debt outstanding at December 31, 2007, for the following bonds,
contracts and leases, (excluding accrued vacation and sick) of the Primary Government:

	Special Assessment Bonds		G.O. Bonds		Capital Lease		Drains	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 170,000	\$ 65,068	\$ 50,000	\$ 5,850	\$ 24,722	\$ 7,535	\$ 10,501	\$ 2,139
2009	170,000	56,438	50,000	2,950	26,073	6,184	10,501	1,537
2010	85,000	47,693	-	-	27,498	4,759	10,501	936
2011	85,000	43,923	-	-	29,000	3,256	1,005	334
2012	85,000	40,113	-	-	30,584	1,671	1,005	278
2013-2017	350,000	147,223	-	-	-	-	4,020	557
2018-2022	305,000	85,304	-	-	-	-	-	-
2023-2026	<u>220,000</u>	<u>19,574</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,470,000</u>	<u>\$ 505,336</u>	<u>\$ 100,000</u>	<u>\$ 8,800</u>	<u>\$ 137,877</u>	<u>\$ 23,405</u>	<u>\$ 37,533</u>	<u>\$ 5,781</u>

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 9 - SEWAGE DISPOSAL SYSTEM AGREEMENT:

The Charter Township of Fort Gratiot does not operate or own a Sanitary Sewage Disposal Plant; instead, the Township/County has entered into an agreement with the City of Port Huron to accept and dispose of the Township's sanitary sewage. The agreement provides, among other things, that the City shall reserve a capacity of 8.02 million gallons per day (MGD) in the sewage treatment plant, for which the Township has made a lump sum payment. Further, the Township shall reimburse the City for its respective share of the annual operating costs, including capital purchases and debt retirement.

In connection, the City of Port Huron has issued \$10,220,000 of bonds to make improvements and renovations to the plant. As noted above, the cost to repay these bonds are included in the annual operation cost from the City. Should the Township terminate the contract, the Township would be responsible for their share of the outstanding bonds, which at December 31, 2007, would amount to \$1,183,848.

NOTE 10 - WATER SUPPLY SYSTEM AGREEMENT:

The Charter Township of Fort Gratiot does not own a water filtration plant; instead, the Township/County has entered into an agreement with the City of Port Huron to provide the Township's water supply. Under the agreement, dated October 16, 1968, the Township/County agreed to purchase various minimum quantities at such rates as the City may establish and is reasonable, plus a metered service charge. The contract is for an indefinite period but it may be terminated by either party upon one year written notice.

NOTE 11 – DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits to substantially all full-time employees through a deferred contribution plan. In a deferred contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Township contributes 9% of the employee's base compensation. In addition, each employee can make non-deductible, voluntary contributions of 5-10%. All contributions, both employer and employee, become 100% vested at the time of the contribution.

For the year ended December 31, 2007, the Township contributed \$81,222, and the employees contributed \$24,402.

NOTE 12 - POST RETIREMENT BENEFITS:

In addition to the pension benefits described in Note 11, the Charter Township of Fort Gratiot provides 60% of the health insurance premium for any employee that retires with a minimum of 10 years of continued employment with the Township. Expenditure for post-retirement health care benefits are recognized on a pay-as-you-go basis and amounted to \$50,249 for six employees for 2007.

NOTE 13 - RESTRICTED ASSETS:

The restricted assets of \$75,005 in the Cemetery Fund for perpetual care and \$2,981,369 in the Utilities Fund are for capital improvements/debt retirement.

CHARTER TOWNSHIP OF FORT GRATIOT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007

NOTE 14 - RESERVED/DESIGNATED FUND BALANCE/RETAINED EARNINGS:

Reserved Fund Balance/Retained Earnings -

Fund Balance/Retained Earnings has been reserved in the various fund types to indicate that a portion of the Fund Balance/Retained Earnings is not available but reserved for specific purposes:

Fund Balance -		
General Fund	Street Lights	\$ 51,750
	Prepaid/Deposits	2,501
Special Revenue Fund -		
Fire	Prepays	31,991
Cemetery	Perpetual Care	75,005
	Prepays	2,007
Inspections	Prepays	929
Capital Projects Fund -		
Municipal Building	Capital Projects	<u>689,328</u>
		<u>\$ 853,511</u>
Retained Earnings		
Water and Sewer Fund	Equipment Replacement	<u>\$ 1,131,826</u>

Designated Fund Balance -

The Township board has the power to designate or set aside all or a portion of unreserved Fund Balance for specific purposes. The following is a summary of Board Designations at December 31, 2007:

General Fund	Capital Improvements	\$ 900,000
	Budget Stabilization	700,000
	Retirees Health Insurance	106,783
	Accrued Vacation and Sick	71,197
	Parks and Recreation	<u>7,338</u>
		<u>\$ 1,785,318</u>

NOTE 15 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees, medical benefits provided to employees, etc. The Township has purchased insurance coverage for each of these types of losses; however, the Township would be responsible should the limit of coverage's be exceeded.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 493,150	\$ 493,150	\$ 518,336	\$ 25,186
Licenses and permits	13,000	13,000	14,092	1,092
Intergovernmental	754,375	754,375	725,893	(28,482)
Charges for services	125,150	125,150	140,739	15,589
Fines and forfeits	10,000	10,000	3,914	(6,086)
Interest and rent	35,700	35,700	139,619	103,919
Other revenues	130,000	135,000	115,863	(19,137)
Total Revenues	<u>1,561,375</u>	<u>1,566,375</u>	<u>1,658,456</u>	<u>92,081</u>
Expenditures:				
General Government -				
Legislative	31,146	31,146	29,240	1,906
Supervisor	132,561	132,561	111,866	20,695
Elections	11,175	11,175	9,952	1,223
Assessor	151,489	151,489	152,525	(1,036)
Clerk's Department	202,911	202,911	203,013	(102)
Board of Review	3,800	3,800	2,889	911
Treasurer's Department	139,688	139,688	136,592	3,096
Township Hall	302,426	302,426	272,032	30,394
	<u>975,196</u>	<u>975,196</u>	<u>918,109</u>	<u>57,087</u>
Less: Reimbursement from other funds	<u>-</u>	<u>-</u>	<u>(22,000)</u>	<u>22,000</u>
	<u>975,196</u>	<u>975,196</u>	<u>896,109</u>	<u>79,087</u>
Public Safety -				
Planning Commission	113,754	113,754	101,245	12,509
Zoning Board	6,445	6,445	2,432	4,013
	<u>120,199</u>	<u>120,199</u>	<u>103,677</u>	<u>16,522</u>
Public Works -				
Street lights	103,000	103,000	105,117	(2,117)
Road maintenance and construction	100,000	100,000	79,843	20,157
Drains at large and watershed	46,500	46,500	24,114	22,386
	<u>249,500</u>	<u>249,500</u>	<u>209,074</u>	<u>40,426</u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Expenditures - (cont'd):				
Recreation and Cultural -				
Parks and Recreation	\$ 40,000	\$ 40,000	\$ 39,172	\$ 828
Buildings and Grounds	94,804	99,804	97,036	2,768
	<u>134,804</u>	<u>139,804</u>	<u>136,208</u>	<u>3,596</u>
 Total Expenditures	 <u>1,479,699</u>	 <u>1,484,699</u>	 <u>1,345,068</u>	 <u>139,631</u>
 Excess of revenues over expenditures	 81,676	 81,676	 313,388	 231,712
 Other Financing Uses:				
Transfers out	(69,103)	(69,103)	(72,460)	(3,357)
 Excess of revenues over expenditures and other uses	 12,573	 12,573	 240,928	 228,355
 Fund Balance at beginning of year	 <u>2,856,160</u>	 <u>2,856,160</u>	 <u>2,856,160</u>	 <u>-</u>
 Fund Balance at end of year	 <u><u>\$ 2,868,733</u></u>	 <u><u>\$ 2,868,733</u></u>	 <u><u>\$ 3,097,088</u></u>	 <u><u>\$ 228,355</u></u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

FIRE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Property taxes	\$ 585,277	\$ 585,277	\$ 581,834	\$(3,443)
Intergovernmental -				
Federal	-	-	26,172	26,172
Charges for services	30,000	30,000	27,950	(2,050)
Interest	6,000	6,000	14,111	8,111
Other	-	-	8	8
	<u>621,277</u>	<u>621,277</u>	<u>650,075</u>	<u>28,798</u>
Expenditures:				
Public Safety -				
Salaries	348,437	348,437	338,266	10,171
Fringe benefits	71,219	71,219	70,462	757
Supplies	8,000	8,000	7,273	727
Uniforms	6,000	6,000	1,593	4,407
Gas and oil	6,000	6,000	6,193	(193)
Communications	3,000	3,000	3,061	(61)
Utilities	14,000	14,000	8,086	5,914
Repairs and maintenance	3,500	3,500	5,976	(2,476)
Education and training	5,000	5,000	1,135	3,865
Insurance	32,000	32,000	30,304	1,696
Miscellaneous	4,500	4,500	4,262	238
Capital Outlay	24,200	75,548	54,590	20,958
Debt Service	32,258	32,258	32,258	-
	<u>558,114</u>	<u>609,462</u>	<u>563,459</u>	<u>46,003</u>
Excess of revenues over expenditures	63,163	11,815	86,616	74,801
Fund Balance at beginning of year	<u>167,395</u>	<u>167,395</u>	<u>167,395</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 230,558</u>	<u>\$ 179,210</u>	<u>\$ 254,011</u>	<u>\$ 74,801</u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

POLICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Property taxes	\$ 659,927	\$ 659,927	\$ 656,847	\$(3,080)
Intergovernmental -				
State	9,000	9,000	8,268	(732)
Interest and rent	17,500	17,500	25,378	7,878
	<u>686,427</u>	<u>686,427</u>	<u>690,493</u>	<u>4,066</u>
Expenditures:				
Public Safety -				
Contracted services	605,909	605,909	605,909	-
Miscellaneous	-	-	500	(500)
	<u>605,909</u>	<u>605,909</u>	<u>606,409</u>	<u>(500)</u>
Excess of revenues over expenditures	80,518	80,518	84,084	3,566
Fund Balance at beginning of year	<u>205,001</u>	<u>205,001</u>	<u>205,001</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 285,519</u></u>	<u><u>\$ 285,519</u></u>	<u><u>\$ 289,085</u></u>	<u><u>\$ 3,566</u></u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

GARBAGE COLLECTION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Assessments	\$ 387,768	\$ 387,768	\$ 393,102	\$ 5,334
Interest	-	-	7,255	7,255
	<u>387,768</u>	<u>387,768</u>	<u>400,357</u>	<u>12,589</u>
Expenditures:				
Public Works -				
Contracted services	<u>387,768</u>	<u>387,768</u>	<u>396,012</u>	<u>(8,244)</u>
Excess of revenues over expenditures	-	-	4,345	4,345
Fund Balance at beginning of year	<u>35,211</u>	<u>35,211</u>	<u>35,211</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 35,211</u></u>	<u><u>\$ 35,211</u></u>	<u><u>\$ 39,556</u></u>	<u><u>\$ 4,345</u></u>

CHARTER TOWNSHIP OF FORT GRATIOT**St. Clair County, Michigan****BLUE WATER AREA TRANSPORTATION FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****FOR THE YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 274,733	\$ 274,733	\$ 274,106	\$ (627)
Expenditures:				
Public Works - Transportation	274,733	274,733	274,106	627
Excess of revenues over expenditures	-	-	-	-
Fund Balance at beginning of year	-	-	-	-
Fund Balance at end of year	\$ -	\$ -	\$ -	\$ -

SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	Special Revenue Funds			
	Cemetery	Park Improvement	Public Improvement	Inspections
ASSETS				
Current assets -				
Cash and cash equivalents	\$ 15,382	\$ 2,328	\$ 433,137	\$ 10,522
Prepays	2,007	-	-	929
	<u>17,389</u>	<u>2,328</u>	<u>433,137</u>	<u>11,451</u>
Restricted assets -				
Investments	<u>75,005</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 92,394</u>	<u>\$ 2,328</u>	<u>\$ 433,137</u>	<u>\$ 11,451</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 6,314	\$ -	\$ 127,956	\$ 431
Due to other funds	-	-	-	1,198
Accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>697</u>
Total Liabilities	<u>6,314</u>	<u>-</u>	<u>127,956</u>	<u>2,326</u>
Fund Balance:				
Reserved -				
Prepays	2,007	-	-	929
Capital Projects	-	-	-	-
Perpetual Care	75,005	-	-	-
Unreserved -				
Undesignated	<u>9,068</u>	<u>2,328</u>	<u>305,181</u>	<u>8,196</u>
Total Fund Balance	<u>86,080</u>	<u>2,328</u>	<u>305,181</u>	<u>9,125</u>
Total Liabilities and Fund Balance	<u>\$ 92,394</u>	<u>\$ 2,328</u>	<u>\$ 433,137</u>	<u>\$ 11,451</u>

Debt Service Fund	Capital Projects Fund	
M-25 Debt Service	Municipal Building	Total
\$ 1,355	\$ 689,328	\$ 1,152,052
-	-	2,936
<u>1,355</u>	<u>689,328</u>	<u>1,154,988</u>
-	-	75,005
<u>\$ 1,355</u>	<u>\$ 689,328</u>	<u>\$ 1,229,993</u>

\$ -	\$ -	\$ 134,701
-	-	1,198
<u>1,071</u>	<u>-</u>	<u>1,768</u>
<u>1,071</u>	<u>-</u>	<u>137,667</u>

-	-	2,936
-	689,328	689,328
-	-	75,005
<u>284</u>	<u>-</u>	<u>325,057</u>
<u>284</u>	<u>689,328</u>	<u>1,092,326</u>
<u>\$ 1,355</u>	<u>\$ 689,328</u>	<u>\$ 1,229,993</u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Special Revenue Funds			
	<u>Cemetery</u>	<u>Park Improvement</u>	<u>Public Improvement</u>	<u>Inspections</u>
Revenues:				
Intergovernmental	\$ -	\$ 44,539	\$ -	\$ -
Charges for services	31,315	-	-	156,009
Interest and rent	6,015	5,020	9,009	1,269
Other	950	900	90,000	1,825
Total Revenues	<u>38,280</u>	<u>50,459</u>	<u>99,009</u>	<u>159,103</u>
Expenditures:				
Current -				
General Government	81,069	-	-	-
Public Safety	-	-	-	212,963
Public Works	-	-	129,505	-
Recreation and Cultural	-	131,042	90,000	-
Total Expenditures	<u>81,069</u>	<u>131,042</u>	<u>219,505</u>	<u>212,963</u>
Excess of revenues over (under) expenditures	(42,789)	(80,583)	(120,496)	(53,860)
Other Financing Sources:				
Transfers In	<u>50,160</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
Excess of revenues and other sources over (under) expenditures	7,371	(80,583)	(120,496)	(31,860)
Fund Balances at beginning of year	<u>78,709</u>	<u>82,911</u>	<u>425,677</u>	<u>40,985</u>
Fund Balances at end of year	<u>\$ 86,080</u>	<u>\$ 2,328</u>	<u>\$ 305,181</u>	<u>\$ 9,125</u>

Debt Service Fund	Capital Projects Fund	
M-25 Debt Service	Municipal Building	Total
\$ -	\$ -	\$ 44,539
-	-	187,324
284	29,841	51,438
-	-	93,675
<u>284</u>	<u>29,841</u>	<u>376,976</u>
-	-	81,069
-	-	212,963
-	-	129,505
-	-	221,042
<u>-</u>	<u>-</u>	<u>644,579</u>
284	29,841	(267,603)
<u>-</u>	<u>-</u>	<u>72,160</u>
284	29,841	(195,443)
<u>-</u>	<u>659,487</u>	<u>1,287,769</u>
<u>\$ 284</u>	<u>\$ 689,328</u>	<u>\$ 1,092,326</u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Charges for services -				
Grave openings	\$ 25,500	\$ 25,500	\$ 28,710	\$ 3,210
Other	850	850	2,605	1,755
Interest and rent -				
Interest on investments	2,500	2,500	6,015	3,515
Other revenue -				
Sale of lots	5,500	5,500	950	(4,550)
Contributions	460	460	-	(460)
	<u>34,810</u>	<u>34,810</u>	<u>38,280</u>	<u>3,470</u>
Expenditures:				
General Government -				
Salaries	42,656	42,656	42,494	162
Fringe benefits	12,264	12,264	14,087	(1,823)
Professional fees	1,050	1,050	400	650
Utilities	700	700	537	163
Repairs and maintenance	7,100	7,100	8,565	(1,465)
Miscellaneous	3,200	3,200	2,966	234
Capital Outlay	18,000	18,000	12,020	5,980
	<u>84,970</u>	<u>84,970</u>	<u>81,069</u>	<u>3,901</u>
Excess of revenues under expenditures	(50,160)	(50,160)	(42,789)	7,371
Other Financing Sources:				
Transfers in	<u>50,160</u>	<u>50,160</u>	<u>50,160</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	-	-	7,371	7,371
Fund Balance at beginning of year	<u>78,709</u>	<u>78,709</u>	<u>78,709</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 78,709</u></u>	<u><u>\$ 78,709</u></u>	<u><u>\$ 86,080</u></u>	<u><u>\$ 7,371</u></u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

PARK IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Intergovernmental -				
Local	\$ -	\$ -	\$ 44,539	\$ 44,539
Interest and rent -				
Interest on investment	-	-	5,020	5,020
Other	-	-	900	900
	<u>-</u>	<u>-</u>	<u>50,459</u>	<u>50,459</u>
Expenditures:				
Capital Outlay	<u>-</u>	<u>219,736</u>	<u>131,042</u>	<u>88,694</u>
Excess of revenues over (under) expenditures	-	(219,736)	(80,583)	139,153
Fund Balance at beginning of year	<u>82,911</u>	<u>82,911</u>	<u>82,911</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 82,911</u></u>	<u><u>\$(136,825)</u></u>	<u><u>\$ 2,328</u></u>	<u><u>\$ 139,153</u></u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

PUBLIC IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Interest on investments	\$ -	\$ -	\$ 9,009	\$ 9,009
Donation	-	-	90,000	90,000
	<u>-</u>	<u>-</u>	<u>99,009</u>	<u>99,009</u>
Expenditures:				
Capital Outlay -	<u>-</u>	<u>-</u>	<u>219,505</u>	<u>(219,505)</u>
Excess of revenues under expenditures	-	-	(120,496)	(120,496)
Fund Balance at beginning of year	<u>425,677</u>	<u>425,677</u>	<u>425,677</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 425,677</u></u>	<u><u>\$ 425,677</u></u>	<u><u>\$ 305,181</u></u>	<u><u>\$(120,496)</u></u>

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

INSPECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Building permits	\$ 120,000	\$ 120,000	\$ 90,990	\$(29,010)
Electrical permits	50,000	50,000	35,772	(14,228)
Mechanical permits	28,000	28,000	19,111	(8,889)
Plumbing permits	16,000	16,000	10,136	(5,864)
Interest	2,800	2,800	1,269	(1,531)
Other	15,500	15,500	1,825	(13,675)
	<u>232,300</u>	<u>232,300</u>	<u>159,103</u>	<u>(73,197)</u>
Expenditures:				
Public Safety -				
Salaries	160,546	160,546	130,161	30,385
Fringe benefits	54,347	54,347	49,392	4,955
Supplies	1,000	1,000	405	595
Transportation	5,000	5,000	3,367	1,633
Communications	1,800	1,800	3,291	(1,491)
Administrative fees	22,000	22,000	22,000	-
Education and training	2,000	2,000	1,243	757
Miscellaneous	3,750	3,750	3,104	646
Capital Outlay -	800	800	-	800
	<u>251,243</u>	<u>251,243</u>	<u>212,963</u>	<u>38,280</u>
Excess of revenues under expenditures	(18,943)	(18,943)	(53,860)	(34,917)
Other Financing Sources:				
Transfers in	<u>18,943</u>	<u>18,943</u>	<u>22,000</u>	<u>3,057</u>
Excess of revenues and other financing sources under expenditures	-	-	(31,860)	(31,860)
Fund Balance at beginning of year	<u>40,985</u>	<u>40,985</u>	<u>40,985</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 40,985</u>	<u>\$ 40,985</u>	<u>\$ 9,125</u>	<u>\$(31,860)</u>

CHARTER TOWNSHIP OF FORT GRATIOT

St. Clair County, Michigan

COMBINING SCHEDULE OF NET ASSETS

WATER AND SEWER FUNDS

DECEMBER 31, 2007

	Unrestricted				Restricted
	Water & Sewer Fund	Capital Replacement	Utility Bond Debt	1995 Bond Debt	1999 Bond Debt
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 791,868	\$ -	\$ -	\$ -	\$ -
Accounts receivable	507,320	-	-	-	-
Inventory	66,413	-	-	-	-
Prepaid expense	7,784	-	-	-	-
Total Current Assets	1,373,385	-	-	-	-
Restricted Assets:					
Cash and cash equivalents	-	817,848	313,431	57,943	132,547
Investments	-	210,861	-	-	-
Receivables	-	104,604	14,212	66,019	111,473
Due from other funds	-	110,410	-	58,700	-
	-	1,243,723	327,643	182,662	244,020
Property, Plant and Equipment:					
Buildings	147,845	-	-	-	-
Equipment	830,158	-	-	-	-
Mains and extensions	19,504,831	-	-	-	-
	20,482,834	-	-	-	-
Less - accumulated depreciation	(8,439,745)	-	-	-	-
	12,043,089	-	-	-	-
Total Assets	13,416,474	1,243,723	327,643	182,662	244,020
LIABILITIES:					
Current Liabilities:					
Accounts payable	391,885	-	-	-	-
Accrued expenses	40,309	-	-	-	-
Deposits	8,254	-	-	-	-
Due to other funds	112,328	-	-	-	-
Total Current Liabilities	552,776	-	-	-	-
Current Liabilities - (Payable from restricted assets):					
Accounts payable	-	1,960	456	-	-
Bonds payable (current portion)	-	-	50,000	85,000	40,000
Accrued interest	-	-	1,462	2,486	3,781
Due to other funds	-	-	58,700	-	-
	-	1,960	110,618	87,486	43,781
Long-Term Liabilities (less current portions):					
Bonds payable	-	-	50,000	85,000	250,000
Accrued vacation and sick	2,607	-	-	-	-
Total Long-Term Liabilities	2,607	-	50,000	85,000	250,000
Total Liabilities	555,383	1,960	160,618	172,486	293,781
NET ASSETS:					
Investment in capital assets, net of related debt	12,043,089	-	-	-	-
Reserved - Equipment Replacement	-	1,241,763	-	-	-
Debt Retirement	-	-	167,025	10,176	(49,761)
Unrestricted	818,002	-	-	-	-
Total Net Assets	\$ 12,861,091	\$ 1,241,763	\$ 167,025	\$ 10,176	\$ (49,761)

Brace/Tice Bond Debt	Krafft Bond Debt	Krafft Construction	Total Restricted	Total	Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 791,868	\$ (473)	\$ 791,395
-	-	-	-	507,320	-	507,320
-	-	-	-	66,413	-	66,413
-	-	-	-	7,784	-	7,784
-	-	-	-	1,373,385	(473)	1,372,912
147,261	111,804	121,931	1,702,765	1,702,765	473	1,703,238
-	-	-	210,861	210,861	-	210,861
190,536	580,899	-	1,067,743	1,067,743	-	1,067,743
-	-	-	169,110	169,110	(169,110)	-
337,797	692,703	121,931	3,150,479	3,150,479	(168,637)	2,981,842
-	-	-	-	147,845	-	147,845
-	-	-	-	830,158	-	830,158
-	-	-	-	19,504,831	-	19,504,831
-	-	-	-	20,482,834	-	20,482,834
-	-	-	-	(8,439,745)	-	(8,439,745)
-	-	-	-	12,043,089	-	12,043,089
337,797	692,703	121,931	3,150,479	16,566,953	(169,110)	16,397,843
-	-	29,834	29,834	421,719	-	421,719
-	-	-	-	40,309	-	40,309
-	-	-	-	8,254	-	8,254
-	-	-	-	112,328	(110,410)	1,918
-	-	29,834	29,834	582,610	(110,410)	472,200
-	-	-	2,416	2,416	-	2,416
15,000	30,000	-	220,000	220,000	-	220,000
3,414	4,604	-	15,747	15,747	-	15,747
-	-	-	58,700	58,700	(58,700)	-
18,414	34,604	-	296,863	296,863	(58,700)	238,163
315,000	650,000	-	1,350,000	1,350,000	-	1,350,000
-	-	-	-	2,607	-	2,607
315,000	650,000	-	1,350,000	1,352,607	-	1,352,607
333,414	684,604	29,834	1,676,697	2,232,080	(169,110)	2,062,970
-	-	92,097	92,097	12,135,186	139,922	12,275,108
-	-	-	1,241,763	1,241,763	-	1,241,763
4,383	8,099	-	139,922	139,922	(139,922)	-
-	-	-	-	818,002	-	818,002
\$ 4,383	\$ 8,099	\$ 92,097	\$ 1,473,782	\$ 14,334,873	\$ -	\$ 14,334,873

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
WATER AND SEWER FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>				<u>Restricted</u>
	<u>Water & Sewer Fund</u>	<u>Capital Replacement</u>	<u>Utility Bond Debt</u>	<u>1995 Bond Debt</u>	<u>1999 Bond Debt</u>
Operating Revenues:					
Licenses and permits	\$ 1,075	\$ -	\$ -	\$ -	\$ -
Charges for services - user charges	2,567,588	144,434	-	-	-
Penalty on delinquent accounts	-	62	-	140	7,432
Other revenue	7,692	-	-	652	-
Total Operating Revenues	<u>2,576,355</u>	<u>144,496</u>	<u>-</u>	<u>792</u>	<u>7,432</u>
Operating Expenses:					
Salaries and fringes	541,917	-	-	-	-
Water purchases	1,086,276	-	-	-	-
Sewer plant charges	682,931	-	-	-	-
Supplies	59,842	1,673	-	-	-
Utilities	38,476	-	-	-	-
Repairs and maintenance	73,942	-	-	-	-
Gas and oil	19,547	-	-	-	-
Professional services	13,544	-	-	-	-
Other	67,479	280	-	-	-
Depreciation	341,123	-	-	-	-
Total Operating Expenses	<u>2,925,077</u>	<u>1,953</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>(348,722)</u>	<u>142,543</u>	<u>-</u>	<u>792</u>	<u>7,432</u>
Non-Operating Revenues (Expenses):					
Tap and privilege fees	109,937	-	3,496	-	-
Special assessments	-	-	10,252	-	-
Interest earned on -					
Special assessments and privilege fees	-	9,581	14	4,865	-
Cash and investment revenue	23,032	59,705	12,833	6,787	813
Interest expense and fees	-	-	(7,987)	(14,692)	(15,946)
Total Non-Operating Revenues (Expenses)	<u>132,969</u>	<u>69,286</u>	<u>18,608</u>	<u>(3,040)</u>	<u>(15,133)</u>
Net Income before contributions	<u>(215,753)</u>	<u>211,829</u>	<u>18,608</u>	<u>(2,248)</u>	<u>(7,701)</u>
Transfers:					
Transfer In	1,342,076	109,937	-	-	-
Transfer Out	<u>(109,937)</u>	<u>(768,498)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,232,139</u>	<u>(658,561)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	1,016,386	(446,732)	18,608	(2,248)	(7,701)
Net assets at beginning of year	<u>11,844,705</u>	<u>1,688,495</u>	<u>148,417</u>	<u>12,424</u>	<u>(42,060)</u>
Net Assets end of year	<u><u>\$ 12,861,091</u></u>	<u><u>\$ 1,241,763</u></u>	<u><u>\$ 167,025</u></u>	<u><u>\$ 10,176</u></u>	<u><u>\$ (49,761)</u></u>

<u>Brace/Tice</u> <u>Bond Debt</u>	<u>Krafft</u> <u>Bond Debt</u>	<u>Krafft</u> <u>Construction</u>	<u>Total</u> <u>Restricted</u>	<u>Total</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,075	\$ -	\$ 1,075
-	-	-	144,434	2,712,022	-	2,712,022
-	88	-	7,722	7,722	-	7,722
-	-	-	652	8,344	-	8,344
-	88	-	152,808	2,729,163	-	2,729,163
-	-	-	-	541,917	-	541,917
-	-	-	-	1,086,276	-	1,086,276
-	-	-	-	682,931	-	682,931
-	-	-	1,673	61,515	-	61,515
-	-	-	-	38,476	-	38,476
-	-	-	-	73,942	-	73,942
-	-	-	-	19,547	-	19,547
-	-	-	-	13,544	-	13,544
-	-	-	280	67,759	-	67,759
-	-	-	-	341,123	-	341,123
-	-	-	1,953	2,927,030	-	2,927,030
-	88	-	150,855	(197,867)	-	(197,867)
-	-	-	3,496	113,433	-	113,433
-	-	-	10,252	10,252	-	10,252
10,542	23,382	-	48,384	48,384	-	48,384
5,961	3,346	24,998	114,443	137,475	-	137,475
(14,026)	(25,623)	39	(78,235)	(78,235)	-	(78,235)
2,477	1,105	25,037	98,340	231,309	-	231,309
2,477	1,193	25,037	249,195	33,442	-	33,442
-	-	199,358	309,295	1,651,371	(1,626,071)	25,300
-	-	(772,636)	(1,541,134)	(1,651,071)	(1,626,071)	(25,000)
-	-	(573,278)	(1,231,839)	300	-	300
2,477	1,193	(548,241)	(982,644)	33,742	-	33,742
1,906	6,906	640,338	2,456,426	14,301,131	-	14,301,131
<u>\$ 4,383</u>	<u>\$ 8,099</u>	<u>\$ 92,097</u>	<u>\$ 1,473,782</u>	<u>\$ 14,334,873</u>	<u>\$ -</u>	<u>\$ 14,334,873</u>

FIDUCIARY FUNDS

CHARTER TOWNSHIP OF FORT GRATIOT
St. Clair County, Michigan

AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Current Tax Collection	Other Tax Collection	Imprest Payroll	Total
Assets:				
Cash and cash equivalents	\$ 1,199,879	\$ -	\$ 48,699	\$ 1,248,578
Prepaid expense	-	-	33,995	33,995
Due from other funds	-	-	1,918	1,918
	<u>\$ 1,199,879</u>	<u>\$ -</u>	<u>\$ 84,612</u>	<u>\$ 1,284,491</u>
Liabilities:				
Accrued payroll taxes and employee benefits	\$ -	\$ -	\$ 715	\$ 715
Due to other funds	34,039	-	83,897	117,936
Undistributed taxes and interest	<u>1,165,840</u>	<u>-</u>	<u>-</u>	<u>1,165,840</u>
	<u>\$ 1,199,879</u>	<u>\$ -</u>	<u>\$ 84,612</u>	<u>\$ 1,284,491</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Supervisor and Members of
The Township Board
Charter Township of Fort Gratiot
St. Clair County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fort Gratiot as of and for the year ended December 31, 2007, which collectively comprise the Charter Township of Fort Gratiot's basic financial statements and have issued our report thereon dated April 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Fort Gratiot's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township of Fort Gratiot's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Charter Township of Fort Gratiot's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Preparation of Financial Statements In Accordance with Generally Accepted Accounting Principles (GAAP).

As is the case with many similar-sized entities, the Township has historically relied on its independent external auditors to assist in preparing the annual financial statements, including the footnotes and GASB No. 34 financial statements, as part of its annual audit process. Statement on Auditing Standard No. 112 “Communicating Internal Control Related Matters Identified in an Audit” specifies that the auditee is responsible for internal control over financial reporting.

The Township has made the decision that it is more cost effective to outsource the preparation of its annual financial statements to the external auditors than to incur the time and expense of obtaining the necessary training and expertise required to prepare financial statements in accordance with generally accepted accounting principles.

As a result the Township lacks internal controls over the preparation of its GAAP financial statements.

The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and has determined that it is in the best interest of the Township to outsource this task to the external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

The Developer escrow accounts should be reviewed and reconciled to the general ledger on a monthly basis.

The Township requires developer/contractors to deposit monies in escrow accounts that are utilized by the township to cover Township costs, including engineering fees, for the development. During our testing we noted instances where costs exceed the amount the developer had on hand, that certain developments had been completed in prior years and the developer still had a balance or owed the Township, etc. Although there has been improvements during the past year, we recommend that the escrow accounts be reviewed at the end of each month with the developer, bill if additional monies are needed and that once the development is completed that any escrow balance be returned to the developer.

Also the escrow report should be reconciled to the general ledger on a monthly basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Charter Township of Fort Gratiot’s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

We noted certain matters that we reported to management of the Charter Township of Fort Gratiot in a separate letter dated April 10, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Fort Gratiot's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, non compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of management, the Township Board, others with the Charter Township of Fort Gratiot, and the Michigan Department of Treasury and is not intended to be and should be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

Certified Public Accountants

April 10, 2008



April 10, 2008

To the Members of the Board
Charter Township of Fort Gratiot
Fort Gratiot, Michigan

We have audited the financial statement of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fort Gratiot for the year ended December 31, 2007, and have issued our report thereon dated April 10, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated January 28, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Charter Township of Fort Gratiot. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Charter Township of Fort's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of Audit

We performed the audit according to the planned scope and timing previously communicated to you in our Preliminary Audit Communication Letter, and discussions with the Supervisor, Treasurer, Clerk, and administration.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Fort Gratiot are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transaction entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate for unbilled water and sewer services. The estimate is based on subsequent billings and historical data. We evaluated the key factors and assumptions used to develop the unbilled water and sewer services in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management (we also proposed and management corrected a number of immaterial misstatements):

- Adjustments to reclassify tax revenues and special assessment collections
- Adjustments to reverse certain prior year receivables and payables
- Adjustment to accounts payable and prepaid expenses regarding the purchase of the new fire truck
- Adjustments to record donated equipment and land

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Finding and Comments

In addition to the Report on Internal Control we noted a few other items that although are not considered significant deficiencies could improve controls, the operational efficiency and or compliance with laws and regulations. These items are discussed in Attachment A.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 10, 2007.

Other

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of the Charter Township of Fort Gratiot and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvois & Whipple".

Attachment A

The following is a list of items that we discussed with administration that are not considered significant deficiencies, however, are items that could improve controls, the operational efficiency of the accounting department and or compliance with laws and regulations:

The utilities accounts receivable should be periodically reconciled to the detailed subsidiary records and all billing adjustments approved with supporting documentation attached.

During our audit we noted that the Township did not reconcile the detailed utilities accounts receivable ledgers to the General Ledger and that billing adjustments were not approved. By not performing this reconciliation, transactions or adjustments may be posted to the general ledger, but not the detailed accounts receivable ledger and vice versa. To increase the control over the utility accounts receivable and cash receipts, and increase the accuracy of internally prepared financial statements, the detailed accounts receivable ledger should be reconciled to the general ledger on a periodic basis and billing adjustments should be approved by someone other than the person preparing the billings and supporting documentation should be attached to support the proposed adjustment.

The Township should reconcile wages reported per the General Ledger to wages reported on the quarterly Federal 941 Form's.

To increase controls we recommend that the wages per the payroll reports and the general ledger be reconciled on a quarterly basis. This will help assure that the 941's are prepared correctly and that all wages are appropriately classified in the Township accounting records.

Controls could be improved by limiting access on certain computer applications.

At the current time, some employees may have unlimited access to certain accounting modules, instead of instead of "read only" or limited access. To increase controls, we suggest that the Township review the access codes for each module and limit the ability to process or change data to a very limited number of employees.

Back-up of the computer system data should be maintained off-site.

Based on discussions with management it is our understanding that the Township backs-up the data files each night with the file maintained in the Clerk's safe. In the event of a fire or other natural disaster the back-up could be damaged or lost. To increase security, we recommend that the Township maintain back-up files off-site at least monthly but preferably on a weekly basis.

Accounts payable should be reconciled to the general ledger on a monthly basis.

At year-end, the Township's accounts payables listing did not reconcile to the general ledger. It is our understanding that a payables listing is updated at the end of each fiscal year and then compared to the general ledger for the purposes of the audit. While we understand the time necessary to update the information, we recommend that procedures be implemented so that the Township has an accurate understanding of their obligations due and that the payables listing is reconciled to the general ledger on a monthly basis to maintain accurate accounting records.

Tags should be utilized to control Township equipment.

At the current time tag numbers are not utilized on assets purchased by the Township. Controls could be improved by requiring tags be affixed to assets at the time of purchase. Periodic reviews should then be made to make sure that all assets are accounted for and that they are in working condition.

Employee time sheets should be signed by the employee and approved by the department head.

During our testing we noted that the Accountant is collecting and processing unsigned time sheets for all employees except DPW. We recommend that employees be required to sign the time sheets to support the hours worked and then submit the time sheets to their department head for approval. In most cases, department heads will have a better knowledge of the hours worked.